

United States Senate

WASHINGTON, DC 20510-1502

COMMITTEES:
HEALTH, EDUCATION,
LABOR, AND PENSIONS, CHAIR

APPROPRIATIONS

AGRICULTURE

SMALL BUSINESS

November 19, 2013

13-1119

The Honorable Tom Wheeler
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Dear Chairman Wheeler:

I write to you today to express my concern regarding the Federal Communications Commission (FCC) 2011 Universal Service Fund Reform Order. This order updated the universal service program for the broadband era while maintaining the long-standing requirement that consumers in rural areas have access to telecommunications services that are comparable to those available in urban areas. However, I am concerned that implementation of this Order is limiting the ability of small rate-of-return carriers to provide rural consumers with the broadband services that they need.

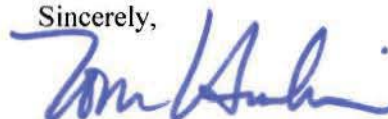
The Universal Service Fund has always helped to provide small rate-of-return telecom carriers with the support they need to keep consumer rates affordable in rural areas. These small companies have long utilized this program, along with a number of public and private loan programs, to make long-term capital investments to expand the reach and effectiveness of broadband in hard-to-serve rural areas. Unfortunately, however, it appears that uncertainties created by the reform order have slowed these kinds of investments. Despite the fact that nearly one-fourth of the rural population lacks access to high speed broadband, The US Department of Agriculture has stated that demand for Rural Utilities Service loan funds for broadband investment has decreased to approximately 37 percent of the total amount of funds appropriated by Congress in FY 2012.

One of the primary causes of declining small company broadband investment is the Order's use of Quantile Regression Analysis (QRA) to cap support to individual rate-of-return companies. Many in the rural broadband community are concerned that the QRA caps and redistributes Universal Service Fund support in arbitrary and unpredictable ways and that it fails to provide incentives for broadband deployment, resulting in regulatory uncertainty and discouraging investment.

Unless the FCC finds a way to restore predictability and transparency to the Universal Service Fund program, many rural Americans may soon find it difficult to obtain the broadband services they need. If not addressed soon, the Reform Order has the potential to further the digital divide between urban and rural communities.

I appreciate your attention to this matter and look forward to your response.

Sincerely,



Tom Harkin
United States Senator



FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

January 24, 2014

The Honorable Tom Harkin
United States Senate
731 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Harkin:

Thank you for your letter expressing concern about the effect of the Commission's Quantile Regression Analysis (QRA) on rural carriers. I appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

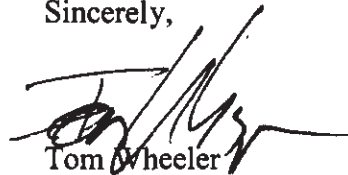
As I have made clear since the day I arrived at the Commission, one of the core elements of communications policy that must guide the work of the FCC is the critical need for all Americans to have access to high-speed broadband networks. Access denied is opportunity denied. To that end, I am a firm believer in the importance of universal service, and I agree that the Commission must make timely decisions in order to provide regulatory certainty and create incentives to further efficient investment in broadband networks. We must also be open to modifications to the reforms if it is clear that particular rules are not serving their intended purpose.

To that point, as I stated during the recent House Communications and Technology Subcommittee hearing on FCC Oversight, I have directed the Wireline Competition Bureau to prepare an order for the Commission's consideration that would eliminate the QRA.

I look forward to continuing the work of reforming and modernizing the universal service fund high-cost program – as well as other components of the Fund – and to working with stakeholders, including rural carriers and consumers, to ensure that all Americans have access to robust voice and broadband services.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance.

Sincerely,



Tom Wheeler